

**ENERGY AND THE RURAL ECONOMY: THE
IMPACTS OF OIL AND GAS PRODUCTION**

HEARING

BEFORE THE

**COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES**

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

APRIL 13, 2016

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ENERGY AND THE RURAL ECONOMY: THE IMPACTS OF OIL AND GAS PRODUCTION

WEDNESDAY, APRIL 13, 2016

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Committee met, pursuant to call, at 10:00 a.m., in Room 1300, Longworth House Office Building, Hon. K. Michael Conaway [Chairman of the Committee] presiding.

Members present: Representatives Conaway, Thompson, Austin Scott of Georgia, Crawford, Gibson, Davis, Allen, Rouzer, Moolenaar, Newhouse, Kelly, Peterson, Walz, McGovern, DelBene, Vela, Lujan Grisham, Kuster, Nolan, Bustos, Kirkpatrick, Aguilar, Graham, and Ashford.

Staff present: Callie McAdams, Josh Maxwell, Mollie Wilken, Paul Balzano, Scott C. Graves, Stephanie Addison, Faisal Siddiqui, John Konya, Anne Simmons, Evan Jurkovich, Liz Friedlander, Matthew MacKenzie, Robert L. Larew, and Nicole Scott.

OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS

The CHAIRMAN. Well, good morning. Let me call this hearing to order. The Committee on Agriculture's hearing on energy and the rural economy: the impacts of oil and gas production, will come to order. I would ask Rodney Davis to open us with a prayer.

Rodney.

Mr. DAVIS. Thank you, Mr. Chairman. Let us all bow our heads. Thank you, Lord, for allowing us to come together again in this Committee. Thank you for the witnesses being able to get here safely. Let us all work together and understand the issues of importance are not that important to our Lord and Savior. We are thankful for everything that He does on our behalf each and every day and I ask this in the name of our Lord and Savior, Jesus Christ.

The CHAIRMAN. Thank you, Rodney. Well, good morning, and welcome to today's hearing. This Committee is charged with the responsibility of representing rural America and the economies that drive those communities. As such, we will continue to diligently review the farm economy, especially given the recent 56 percent drop in net farm income and the hard times that invariably come along with that. I, along with many Members of this Committee, have often stated that agriculture is the backbone of rural America. However, as the Committee with responsibility for all of rural America, it is vitally important that we acknowledge other indus-

tries that have provided a significant number of jobs and revenue for our rural communities.

Today's hearing begins with that discussion as we review how oil and gas production impacts the rural economy. Energy and the price of energy has an obvious direct impact on the inputs for farmers and ranchers. Not quite as intuitively, though, the energy sector also provides income and revenue for rural residents and their local communities in the form of salaries, royalty payments, and tax revenues. In District 11, agriculture is a leading industry. However, many of the biggest employers in the 11th District of Texas revolve around oil and gas production. These businesses provide a significant number of good-paying jobs for Americans.

In fact, the Bureau of Labor Statistics claims that jobs in this sector have an average income that is twice as high as the national average. Although I know that every district is not like west Texas, oil and gas production impacts rural communities across the United States. These quality off-the-farm jobs provide rural America the ability to retain young people with new opportunities and attract new residents. The oil and gas industry brings income into rural communities which, in turn, increases the standard of living for its residents. This increased revenue gives rural communities the ability to improve the quality of life for their residents through increased capital investments.

In a 2011 study by PWC near the height of the recent oil boom, cited that the oil and gas sector directly employed 9.8 million people. A significant number of these jobs are in the rural areas of Wyoming, Texas, North Dakota, Oklahoma, Louisiana, and Pennsylvania, employing as many as 20 percent of the state's population.

Unfortunately, what some fail to realize is that oil and gas production creates thousands of upstream jobs and downstream jobs as well, and many, if not most of these are also in the rural economies. We all recognize that the oil industry today is more bust than boom, and that is why today's hearing is even more important.

I believe that the general public only views this industry as executives running large oil companies and charging too much for a gallon of gasoline. Today, we will hear from a group of individuals whose rural communities and livelihoods are directly impacted by oil and gas production. In these lean times, we must remember the millions of individuals, many in rural America, who are employed up and down the supply chain.

I want to thank each of our witnesses for taking the time away from their jobs to be here today. I look forward to their testimony.

[The prepared statement of Mr. Conaway follows:]

PREPARED STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN
CONGRESS FROM TEXAS

Good morning, and welcome to today's hearing.

This Committee is charged with the responsibility of representing rural America and the economies that drive those communities. As such, we will continue to diligently review the farm economy, especially given the recent 56 percent drop in net farm income and the hard times that inevitably come along with that.

I, along with many other Members of this Committee have often stated that agriculture is the backbone of rural America. However, as the Committee with responsibility for *all of* rural America, it is vitally important that we acknowledge other industries that provide a significant number of jobs and revenue for our rural communities.

Today's hearing begins that discussion as we review how oil and gas production impacts the rural economy. Energy, and the price of energy, has an obvious direct impact on inputs for farmers and ranchers. Not quite as intuitively, the energy sector provides income and revenue for rural residents and their local communities in the form of salaries, royalty payments, and tax revenues.

In my district, agriculture is a leading industry. However, many of the biggest employers in the 11th District of Texas revolve around oil and gas production. These businesses provide a significant number of good paying jobs for Americans. In fact, the Bureau of Labor Statistics claims that jobs in this sector have an average income that is twice as high as the national average income.

Although I know that every district is not like west Texas, oil and gas production impacts rural communities across the United States. These quality off-the-farm jobs provide rural America the ability to retain young people with new opportunities and attract new residents. The oil and gas industry brings income into rural communities, which in turn increases the standard of living for residents. This increased revenue gives rural communities the ability to improve the quality of life for its residents through increased capital investments.

A 2011 study by PWC, near the height of the recent oil boom, cited that the oil and gas sector directly employed 9.8 million of people. A significant number of these jobs were in the rural areas of Wyoming, Texas, North Dakota, Oklahoma, Louisiana, and Pennsylvania—employing as many as 20 percent of the state's population. Unfortunately, what some fail to realize is that oil and gas production creates thousands of upstream and downstream jobs, and many, if not most, of these jobs are in rural areas.

We all recognize that the oil and gas industry today is more bust than boom. That is why today's hearing is even more important. Too often, I believe the general public only views this industry as executives running large oil companies and charging too much for a gallon of gasoline.

Today, you will hear from a group of individuals whose rural communities and livelihoods are directly impacted by oil and gas production. In these lean times, we must remember the millions of individuals, many in rural areas, who are employed up and down the supply chain.

Thank you to each of our witnesses for taking time away from your jobs to be here today. I look forward to your testimony.

I now yield to my good friend and Ranking Member, Mr. Peterson, for any opening statements he has.

The CHAIRMAN. With that, I yield to the Ranking Member for his comments.

Mr. Peterson.

**OPENING STATEMENT OF HON. COLLIN C. PETERSON, A
REPRESENTATIVE IN CONGRESS FROM MINNESOTA**

Mr. PETERSON. Thank you, Mr. Chairman. And I welcome the witnesses.

Oil and gas production can have a positive impact on the rural economy. In my State of Minnesota, we don't have any oil or gas production, but we felt the impact of the North Dakota oil boom by having increased job opportunities in my district. At the same time, the market has recently exposed some of the challenges that come along with oil and gas production, including improving infrastructure like rail pipelines or roads that transport the oil during boom times, or strengthening safety-net programs that could keep our rural economies and communities afloat during oil price swings are all areas that we should further explore.

Oil and gas development has certainly helped some farmers in rural communities, and helped them weather the recent downturn in commodity prices, and this demonstrates the importance of a diverse rural economy and the role that these types of value-added systems play in keeping us afloat.

Agriculture is no stranger to fluctuating commodity prices, and we have all witnessed the impact of extreme highs and lows. When

commodity prices drop, rural communities, landowners, farmers, and businesses all feel the impact, and this is why it is important that we maintain a strong safety net and support a wide range of opportunities for rural citizens.

I look forward to hearing the witnesses and their thoughts on the topics.

And I yield back.

The CHAIRMAN. I thank the gentleman.

The chair would request that other Members submit their opening statements for the record so that the witnesses may begin their testimony to ensure that there is ample time for our questions.

I would like to welcome today to our witness table three individuals: The Honorable Martin Causer, who is the Majority Chairman of the Agriculture and Rural Affairs Committee for the Pennsylvania House of Representatives from Harrisburg, Pennsylvania; Ms. Angie Sims, she is the CEO of Buster's Well Service, Kermit, Texas, on behalf of the Association of Energy Service Companies. And as an aside, I got to represent Ms. Sims for 8 years while Kermit was in District 11, and she is now ably represented by Will Hurd. So, Angie, it is great for you to be here with us today. And Ms. Jackie Root, who is the President of the National Association of Royalty Owners, of the Pennsylvania chapter, Lawrenceville, Pennsylvania, on behalf of the National Association of Royalty Owners.

With that, Mr. Causer, you have 5 minutes, and the floor is yours.

**STATEMENT OF HON. MARTIN T. CAUSER, CHAIRMAN,
AGRICULTURE AND RURAL AFFAIRS COMMITTEE,
PENNSYLVANIA HOUSE OF REPRESENTATIVES,
HARRISBURG, PA**

Mr. CAUSER. Thank you, Mr. Chairman, and Members of the Committee.

I want to thank you for the opportunity to be here today to testify on my perspective relating to the impact of the oil and gas industry on rural economies. I was born and raised on a dairy farm in McKean County, Pennsylvania, elected to the State House of Representatives in 2002, and currently serve as the Majority Chairman of the House Agriculture and Rural Affairs Committee.

In Pennsylvania, we have had what we call conventional drilling for over 150 years. In Titusville, Pennsylvania, just west of my district, is the home of the world's first oil well and the birthplace of the modern petroleum industry. The City of Bradford, best known as the home of the Zippo lighter, also hosts the oldest continuously operating oil refinery in the world.

Also in Bradford, you have to drive around a crude oil well to use the drive-through at the McDonald's restaurant. So as you can see, we have a lot of oil wells in our community, and oil and gas production has been very important in many of our rural communities, and employs a lot of people in our communities.

Starting in the late 2000s, deep natural gas wells started to be drilled, what we call unconventional drilling, came to Pennsylvania. This created many, many jobs, a lot of increased spending at local hotels and retail stores. Between 2007 and 2014, \$2.1 bil-

lion in state taxes were paid from this activity. In addition, we created, in Pennsylvania, an impact fee that is levied on each unconventional well that is drilled to provide for impacts to rural communities with 60 percent of that revenue going back to the local community, and 40 percent going to the state to address impacts such as infrastructure, the environment, housing, and emergency preparedness.

This has also had a significant effect on farmers at a time when many farmers were struggling just to pay their taxes. They could barely upgrade their equipment and expand their operations. The advent of unconventional drilling gave them additional revenue to be able to expand their operations. And instead of retiring the land, they were actually able to keep it in production. So it has really benefited farmers in our state.

However, we know that the industry is in some tough times right now with the low price of natural gas. The conventional industry, the number of wells drilled has been declining steadily, and that, coupled with the regulatory climate, has been difficult for the industry in Pennsylvania. For the unconventional industry, a few years ago, we had nearly 120 unconventional rigs operating in Pennsylvania. Now, today, we are down to about 20. So the industry has seen some tough times, and there are many people unemployed in the oil and gas industry. And as you can imagine, in communities where oil and gas is the major employer, this has been very difficult.

But what is next is we have to expand our pipeline network. We have to look for additional opportunities. We have two potential Marcellus-powered electrical plants that are going to go online in Pennsylvania, and one plant alone could provide energy for as many as one million homes. So this is an opportunity for our state. Royal Dutch Shell is also looking at the possibility of opening an ethane cracker plant, just outside of Pittsburgh, which would put thousands of people to work.

So, in summary, rural communities, like the ones I represent, have long relied on the oil and gas industry to support our local economy. And as we know, virtually every American relies on the industry as well. It is important for us to work together, whether a state government or our national leaders, to make sure that we don't over-regulate the industry. We need reasonable, responsible, regulations, but this is an opportunity for us to provide good-paying jobs. And in Pennsylvania, we need those jobs desperately.

So I appreciate the opportunity. I have provided extensive testimony to the Committee, and I would be glad to answer any questions that any of the Members might have.

[The prepared statement of Mr. Causer follows:]

PREPARED STATEMENT OF HON. MARTIN T. CAUSER, CHAIRMAN, AGRICULTURE AND RURAL AFFAIRS COMMITTEE, PENNSYLVANIA HOUSE OF REPRESENTATIVES, HARRISBURG, PA

Good morning, Mr. Chairman and Members of the Committee. Thank you for the opportunity to be here today to share my perspective about the impact of the oil and gas industry on rural economies.

By way of background, I was elected to the Pennsylvania House of Representatives in 2002, representing the 67th Legislative District, which encompasses three very rural counties. In fact, my district is the largest geographically in our Common-

wealth at 2,426² miles, surrounded mostly by Allegheny National Forest land and state forest land. The population of my district is 64,519.

In the state House, I currently serve as Chairman of the House Agriculture and Rural Affairs Committee and also as a Member of the House Environmental Resources and Energy Committee. These roles suit me well given the fact I grew up on a dairy farm in the heart of Pennsylvania's oil patch.

While much more attention has been paid to the oil and gas industry in the Northeast over the last decade due to the expansion of deep natural gas drilling in the Marcellus Shale, the industry has been a foundation of the Pennsylvania economy for well over a century.

Conventional Drilling in PA

Long before the advent of drilling in the Marcellus Shale in Pennsylvania, our region was dotted with thousands of small, shallow oil and gas wells—many of them in the Allegheny National Forest. The so-called “conventional” oil and gas industry has been in existence in our Commonwealth for more than 150 years. In fact, just west of the area I represent is Titusville, Pennsylvania, home of the world's first oil well and the birthplace of the modern petroleum industry.

The City of Bradford, PA, best known as the home of the Zippo Lighter, also hosts the oldest continuously operating oil refinery in the nation. The refinery opened at its present location in 1881 and is now operated by American Refining Group. ARG purchases the majority of its high-quality, Penn Grade crude from sources in Pennsylvania, Ohio, New York and West Virginia. It has the capacity to process 11,000 barrels per day, and in 2013 became the first refiner to achieve “Made in the USA” certification.

Bradford is also home to the only McDonald's restaurant I know of with a working oil well in the parking lot!

But these are tough times for the industry. The number of wells drilled has declined steadily since 2007. Conventional wells generally produce small quantities of oil or gas, have marginal rates of return and are strongly influenced by oil and natural gas commodity prices and other market forces. In addition to the market decline, the producers are facing an increasingly unreasonable regulatory environment in our Commonwealth, and that is placing thousands of good, solid, family-supporting-wage jobs at risk. In regions like the one I represent, good jobs like these are not easily replaced.

But the men and women who work in the oil and gas industry are passionate about their business and continue to work hard. The conventional oil and gas industry plays a vital role in our domestic energy production, and of course petroleum is used in the production of hundreds of common products. Most people are aware it is used in plastics and asphalt, but it's also used in making wax (crayons and candles), rubber boots, balloons, Vaseline and various types of cosmetics, nylon and other synthetic fabrics and many, many more.

Not everyone relies on the oil and gas industry to support their local economy like we do, but they certainly rely on it in most every facet of their daily lives.

Unconventional Drilling in PA

In the late 2000s, drilling of a newer kind of well in Pennsylvania expanded dramatically, bringing with it more job opportunities and more people spending money at local hotels, restaurants and retail stores.

The deep well, or “unconventional,” drilling industry has generated significant tax revenue at the state level:

Extraction Industry only: 2009–2014

Capital Stock and Franchise Taxes	\$37 million
Corporate Net Income Taxes	\$176 million
Sales and Use Taxes	\$25.2 million
Personal Income Taxes	\$81.3 million

Total	\$319.5 million
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All Related Industries: 2009–2014

Capital Stock and Franchise Taxes	\$162.8 million
Corporate Net Income Taxes	\$877.7 million
Sales and Use Taxes	\$270.8 million
Personal Income Taxes	\$435 million

Total	\$1.7463 billion
Total for 2008	\$183.3 million
Total for 2007	\$207.3 million
Grand total 2007-2014	\$2.137 billion

Source: PA Department of Revenue.

Unconventional drilling has further generated revenue for communities where drilling takes place, as well as for the Commonwealth as a whole, through an “impact fee.” Since 2011, the industry has paid more than \$855 million in impact fees, with 60 percent of those fees being distributed back to counties and municipalities where drilling takes place to address impacts such as road, bridge and infrastructure construction or maintenance; water, storm water and sewer system construction or maintenance; emergency preparedness; housing needs; and reclamation projects.

On the local level, impact fees awarded to the counties I represent, between 2011–14, are as follows:

- Cameron County: \$1,438,338.
- McKean County: \$2,664,853.
- Potter County: \$4,322,044.

A portion of the impact fee supports regulatory enforcement, public safety training related to natural gas drilling and a variety of environmental protection initiatives on the statewide level.

Drilling in the Marcellus Shale and more recently the Utica Shale has also generated a significant economic benefit for many farmers in our state. As large-scale land owners, many farmers have taken advantage of the opportunity to lease a portion of their land for drilling and then used the royalties they receive to reinvest in their agricultural operations.

For some, it has meant investing in a piece of equipment to enhance the farm, rather than struggling to repair something that’s on its last legs. For others, the money allowed them to expand their operations. Still others were able to retire but keep their land in production by renting it out to others looking to be a part of the agriculture industry.

What’s Next

Not unlike the conventional oil and gas industry, the deep, unconventional drillers have also seen a significant downturn. A few years ago, well over 100 drilling rigs were operating in Pennsylvania. Today, there are only about 20.

A struggling oil and gas industry means struggling communities and people across the Northern Tier of Pennsylvania. We’ve seen a drop in economic activity overall and many people losing their jobs.

There’s no question we are going through some hard times, but we have been through hard times before and are looking forward to the market turning around. And when it does, Pennsylvania stands poised to capitalize on the opportunities offered by our oil and natural gas reserves.

The next big step must be further development of our pipeline network. More than half a dozen pipeline projects are in various phases of development in the Commonwealth. And they offer more in the way of opportunity than just transporting our oil and gas to market.

The “Northern Access” pipeline, which is under construction and will deliver gas from north-central Pennsylvania into southern New York, is already helping the region’s economy. The short line rail industry has benefitted from the opportunity to transport pieces of the pipeline, and construction jobs have been created to install the line.

Overall, pipeline development has proven difficult and controversial in many cases, and it certainly must be done as much as possible in such a way that is respectful of private landowners who are impacted by the lines.

Just as wells drilled on farmland offer opportunity to farmers, so do pipelines. While the installation process is disruptive, once the line is in place, the land above it remains profitable for the farmer. Many Pennsylvania farmers have recognized this, as evidenced by a resolution adopted by the Pennsylvania Grange at its annual meeting in March to support the construction, renovation and upgrading of pipelines “to take advantage of the economic development possibilities, well-paying jobs, and freedom from dependence on foreign oil that Pennsylvania-produced natural gas will bring to our community.”

Pennsylvania is also awaiting the opening of two Marcellus-powered electrical plants. The first, in Bradford County, is credited with creating 500 jobs during the height of construction, and expects to generate enough energy to power as many as one million homes.

In the western part of the state, Royal Dutch Shell is working toward the potential opening of an ethane cracker plant that would take the ethane byproduct of fracking a natural gas well and create ethylene, a compound used in the manufacturing of plastic. The plant would require natural gas resources from all over the western part of our state, potentially creating thousands of jobs.

Projects like these provide great opportunities to grow our rural economies, and I believe we need to encourage more industrial consumers of natural gas to locate in the regions where drilling takes place. Rather than export more of our natural gas, we should focus on domestic uses.

Conclusion

The oil and gas industry is a cornerstone of the economies of many rural communities across Pennsylvania and the nation. As the industry has struggled in recent years, it has had a notable impact on local revenues and jobs.

The men and women working in our oil and gas fields work hard at being good stewards of the environment while also delivering a valuable commodity—energy—to our communities and beyond. It is important that we work together at all levels of government to ensure ongoing opportunities in the industry. That mostly means we need to stay out of the way by ensuring environmental regulations are not overly restrictive but instead reasonable and relevant to these operations. And it means facilitating unique opportunities, such as the Royal Dutch Shell cracker plant and gas-powered electrical plants, which help grow the domestic market for our oil and natural gas reserves.

The oil and gas industry has long proven to play a vital role in rural economies across the state, and it must continue to do so.

Thank you.

The CHAIRMAN. Thank you, Mr. Causer.

Ms. Sims, 5 minutes.

STATEMENT OF ANGIE SIMS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, BUSTER'S WELL SERVICE, INC., KERMIT, TX; ON BEHALF OF ASSOCIATION OF ENERGY SERVICE COMPANIES

Ms. SIMS. Good morning, Chairman Conaway, Ranking Member, and distinguished Members of the Committee. Thank you for the opportunity to appear before you today and discuss the role of energy service companies in rural America. Please forgive my nervousness. I am just a small-town girl, and I am not used to this. So I will do my best.

Again, my name is Angie Sims. I currently serve as the President and CEO of Buster's Well Service. It is a company that my grandfather started in 1963. I am the third generation running that company.

At this time, we have a total of 19 employees. When I started in 1999, we had a total of 60 employees, and we were running 12 service rigs—pulling units—at the time, and have since declined due to the fall of the oil prices and just getting the business smaller and more attainable.

I am also testifying today on behalf of the Association of Energy Service Companies. The AESC was first established in 1956 in Odessa, Texas. The organization originally focused on well-servicing industries, but has grown to encompass the total energy industry, including upstream oil and gas services, such as wireline, coiled tubing, hot oilers, roustabout services, snubbing, swabbing, fracking, pressure pumping, and oil field trucking.

The vast majority of our 700+ member companies are small businesses and located in, and operating in, rural communities. My hometown of Kermit, Texas, is the county seat of Winkler County, Texas. The city was founded in 1910 and named after Kermit Roosevelt whose father, Teddy Roosevelt, had visited the area shortly before a hunting trip. Oil was discovered near Kermit in 1926 in the Hendrick oil field, and the city and its economy has been closely linked to oil production ever since. The Hendrick field is still producing to this day.

Like other businesses operating in rural America, our greatest strength is our people. They are hard-working and very loyal. Small businesses in rural areas must adhere to strict financial discipline, or as we call it, simple household economics. You don't spend more than you have, and you take care of what you have.

Similar to the agriculture and ranching operations, whose economics are often tied to commodity prices that we cannot control, oil field services go through boom and bust cycles, but it is our people and our commitment to each other and our communities that allows us to make it through the hard times and make responsible decisions in better times.

We are currently going through some difficult times. According to the monthly report by InghamEcon, LLC, the Texas Permian Basin Petroleum Index dropped to its lowest level since June of 2010. The rig counts are down by 50 percent—those are drilling rigs—compared to its year-ago level. The most recent weekly rig count showed the numbers have dropped again to 130, a decrease of 72 percent.

Despite the fact that we are currently suffering through this downturn due to low oil prices, the oil field services industries continue to provide good-paying jobs throughout rural America, and we are poised to grow again when production ramps back up.

In Texas, we have been through this before, and we are, undoubtedly, going to go through it again. But I want to give you some of the stats just to show the importance the industry has in my community and some of the investments we have been able to make as a result of the energy development in the oil field service industries.

Today, Kermit has close to 6,000 residents, and our county population sits around 8,000. While many different businesses operate in our area, the oil and gas industry is the mainstay of our income. There are 849 producing wells, producing leases, 117 producing operators, and 12,588 drilled wells in the county alone.

According to the County Tax Assessor and Collector for Winkler County, mineral values and property values have increased by well over \$1 million from 2010 to 2014. The City of Kermit also saw huge increases in building permits, electrical permits, and plumbing permits. The local sales and use tax rose 110 percent between 2010 and 2014. Both of our school districts have enjoyed taxpayers agreeing to build new schools, and enrollment in both of those schools have gone up in the last years.

I am short on time. Thank you for your time, and I look forward to answering any questions.

[The prepared statement of Ms. Sims follows:]

PREPARED STATEMENT OF ANGIE SIMS, PRESIDENT AND CHIEF EXECUTIVE OFFICER,
BUSTER'S WELL SERVICE, INC., KERMIT, TX; ON BEHALF OF ASSOCIATION OF
ENERGY SERVICE COMPANIES

Chairman Conaway, Ranking Member Peterson, and distinguished Members of the Committee, thank you for the opportunity to appear before you today to discuss the role of energy service companies in the rural economy. This is an important topic, and I believe my company and my industry play a key role in many rural communities throughout the country.

My name is Angie Sims, and I currently serve as the President and CEO of Buster's Well Service, Inc. which is headquartered in Kermit, Texas. The company was started by my grandfather, Alex "Buster" Crabtree, in 1963, and I started working for the company in 1999. We have a total of 19 employees and are actively engaged in providing oilfield services in the Permian Basin in West Texas.

I am the third generation running Buster's Well Service. I took over after my uncle had run the company into the ground. At the time, we had 60 employees and were running 12 workover rigs. Due to his poor management; the company was close to \$1 million in unsecured debt. With hard work, dedication and the loyalty of my employees; we were able to get the company back into the "black" within 18 months. We had resecured credit with vendors, renewed faith in our customers and had paid off several bank loans. By 2004, we were investing in new equipment and added six new rigs to the fleet by 2008; replacing 30-50 year old rigs. Things were great in the oil and gas industry at that time.

I am also testifying today on behalf of the Association of the Energy Service Companies (AESC). The AESC was first established in 1956 in Odessa, Texas. The organization originally focused on the well-servicing industry, but it has grown to encompass the total energy service industry including other upstream oil and gas services such as wireline, coiled tubing, hot oilers, roustabout services, snubbing, swabbing, fracking, pressure pumping, and oilfield trucking. The vast majority of our over 700 member companies are small businesses located and operating in rural communities.

My home town of Kermit is the county seat of Winkler County, Texas. The city was founded in 1910 and named after Kermit Roosevelt, whose father, President Theodore Roosevelt, had visited the area shortly before the founding on a hunting trip. Oil was discovered near Kermit in 1926 in the Hendrick Oil Field, and the city and its economy have been closely linked to oil production ever since.

Like other businesses operating in rural America, our greatest strength is our people. They are hardworking, and above all, loyal. Small businesses in rural areas must adhere to strict financial discipline, or as we call it, "simple household economics"—you don't spend more than you have and you take care of what you do have. This makes things difficult from time to time.

Similar to agriculture and ranching operations whose economics are often tied to commodity prices they cannot control, oilfield services go through boom and bust cycles, but it is our people and commitment to each other and our communities that allows us to make it through the hard times and make responsible decisions in better times.

We are currently going through some difficult times. According to a monthly report by InghamEcon, LLC, the Texas Permian Basin Petroleum Index dropped to its lowest level since June 2010 and rig counts are down by more than 50% compared to its year-ago level. The most recent weekly rig count showed that the numbers had dropped again to 130, a decrease of 72% compared to the high point in November 2014. The number of drilling permits issued in the first 2 months of the year is the lowest January-February total since 2002. These are tough numbers, and they reflect the challenges that we are facing right now.

Despite the fact that we are currently suffering through this downturn due to low oil prices, the oilfield services industry continues to provide good paying jobs throughout rural America, and we are poised to grow again when production ramps up. In Texas, we have been through this before, and we will undoubtedly go through it again. But, I did want to give you some stats on just how important this industry has been to my community and some of the investments we have been able to make as a result of energy development and the oilfield services industry.

Today, Kermit has close to 6,000 residents and our county population sits around 8,000. While many different businesses operate in our area, the oil and gas industry is the main stay of income in our county. There are 849 producing leases, 117 producing operators with 12,588 drilled wells in Winkler County. There were 374,179 bbls of oil produced and 1,940,226 mcf of gas produced in the county in November 2015.

According to the County Tax Assessor and Collector; mineral values and property values have each increased by well over \$1 million from 2010 to 2014. The City of Kermit also saw huge increases in electrical, plumbing and building permits. The local sales and use tax rose by 110 % from 2010 to 2014.

Kermit Independent School District enrollment rose by 243 students and Wink-Loving Independent School District rose by 51 students from 2010 to 2014. These increases were directly linked to the expansion in oil and gas development, and we have benefitted as a community from these investments.

Another issue I would like to address briefly is regulation, or more appropriately over regulation. In terms of environmental regulation, there are few people who are more committed to protecting our environment than the people who live in our community. Our company and members of the AESC are committed to operating in a safe and efficient manner that preserves our environment for ourselves and our families for generations to come. As small businesses, compliance with ever changing regulations can be a challenge, and a costly one at that. We are not opposed to regulations that protect our environment and our workforce, in fact, we often are the first to address these issues locally.

A good example of how the industry is working collaboratively with government is the AESC OSHA Alliance with the Region VI office out of Dallas. Under this agreement, the AESC is helping train OSHA inspectors and expose them to best operating practices. The agreement helps ensure compliance with standards that keep our people safe and ensure that the regulator understands the real-life operating situations they are entrusted with supervising.

This kind of early engagement and collaboration can be beneficial to all parties. We just need to make sure the benefits from some of these regulations actually do benefit the environment and the workforce and don't unnecessarily harm rural economies.

Ultimately, the energy servicing sector will bounce back from its current challenges. This will benefit rural communities throughout the United States. Whether or not oil and natural gas is produced in other rural districts, we all have benefitted from expanded domestic energy production, either as producers and services or as consumers and business owners.

It is critical that this recovery occur and that domestic energy production in the United States continues to make advancements. We are the most efficient and environmentally sound producers in the world. Our people are hardworking and innovative. As you consider policies and regulations affecting rural America, I hope you will keep our industry in mind, along with the key contributions we have made in the past and will make in the future to ensuring a strong and diverse rural economy.

One of the most famous people from my home town of Kermit, Texas is two-time Professional Rodeo Cowboy Association World Champion, Jim "The Razor" Sharp. He was the first bull rider in history to ride all ten bulls at the National Finals Rodeo in 1988. This performance and his subsequent World Championship in 1990 earned him a place in the Pro Rodeo Hall of Fame. So, people from my part of Texas know a thing or two about bumpy rides, but we also know how to hold on. I believe this is probably true with most people living and working in rural America, and I believe it is one of things that makes our country great.

Thank you again for the opportunity to speak, and I would be happy to answer any questions regarding my testimony.

The CHAIRMAN. Well, thank you. Thank you, Ms. Sims.

Ms. Root, for 5 minutes.

**STATEMENT OF JACQUELINE "JACKIE" ROOT, PRESIDENT,
NATIONAL ASSOCIATION OF ROYALTY OWNERS—
PENNSYLVANIA CHAPTER, LAWRENCEVILLE, PA; ON
BEHALF OF NATIONAL ASSOCIATION OF ROYALTY OWNERS**

Ms. ROOT. Chairman Conaway, Ranking Member Peterson, and Members of the Committee, it is an honor to speak to you regarding this important issue, and thank you very much for the invitation. I am Jackie Root from Lawrenceville, Pennsylvania. I speak today on behalf of the National Association of Royalty Owners, where I serve as the Pennsylvania state chapter President.

Even though our producing minerals may be in any of the 33 producing states, NARO members live in all 50 states. An esti-

mated 8½ to 12 million citizens receive royalty income from the production of their private mineral rights. From a member survey a few years ago, the average NARO member is 60 years old, a widow, and makes less than \$500 per month in royalty income. The United States is the only former colony that upon achieving independence, awarded the ownership of minerals to private citizens instead of to the state. This uniquely American model was suggested by Thomas Jefferson. His concept has helped make us a strong nation and is, today, enabling America's rise to become the world's dominant energy producer.

About 70 percent of the mineral estate in the lower 48 is private property owned by individual citizens. A study conducted by Montana University in 2012, estimated that roughly 77 percent of oil and 81 percent of natural gas produced onshore was produced on private property. According to the Energy Information Administration, the average price for oil is now about 59 percent less, and natural gas about 25 percent less. And this is a real significant hit on individuals, like myself, who rely on this income for part of our livelihood.

We have provided additional information on the ownership and impacts we see across the country in the written testimony, and I will spend the rest of my time on my personal story.

My husband, Cliff, and I are first generation farmers. Dairy was our commodity for 35 years, shifting to a cow/calf beef operation in 2009. For 24 years, in a crop field dubbed the gas well field, we mowed, planted, and harvested around a steel pipe that was the site of natural gas exploration well, drilled and plugged in 1948. In 2000, a landman approached us to lease that land once again for possible exploration, and we now host a producing Marcellus Shale well on our farm, just 1,200' from that old pipe.

Our well was completed in 2008. In 2009 and 2010, 31 more wells were completed on well pads within our township. I estimate that over 700 royalty owners received checks each month in just our little township, including farmers, retirees, widows, young couples, businesses, churches, municipalities, and cemeteries. Like many farmers, we have used this income to pay off debt, change enterprises, help with college expenses, fund requirement accounts, and maybe buy a horse or two. The constant stress of fluctuating commodity prices and unpredictable weather is softened a bit with additional income from leasing, royalties, and pipeline right-of-way. Over the long-term, I believe natural gas development will actually preserve our precious open space; successful farmers will farm the land rather than subdivide it.

This income also finds its way into our local economy, and I can quickly name friends and neighbors so thankful for extra income that was life-changing, and it is not all about instant millionaires.

Current market conditions have curtailed new drilling projects, and the lack of new pipeline capacity has had a dramatic effect on natural gas prices. This time in 2012, we received \$2.73 per mcf compared to just \$1.48 this month. Royalty income is down, leasing is sparse, layoffs in the oil patch now include many of our local folks, and many businesses created during the boom are struggling.

We appreciated the July 2015 hearing this Committee conducted that led to repeal of the oil export ban, recognizing the need to participate in world markets.

Trading of LNG and ethane in world markets will be just as important to the Northeast with production of both wet and dry natural gas. Natural gas development in our township and other townships, just like it across Pennsylvania, has been a real success story. We hope that our leaders will support an energy policy that will keep this moving forward.

Reduced commodity prices have placed hardship on the oil and gas industry, service industries, Federal and state local tax collections, and private royalty owners. This is a result of the free market system that we know our members believe strongly in. We, therefore, ask this Committee to, please, keep this in mind when considering what could become harmful Federal policies like removal of the percentage depletion tax deductions that royalty owners have had the ability to utilize since the 1920s.

Thank you, again, for the opportunity to present the collective views of millions of private property owners, and I will be happy to answer any questions.

[The prepared statement of Ms. Root follows:]

PREPARED STATEMENT OF JACQUELINE “JACKIE” ROOT, PRESIDENT, NATIONAL ASSOCIATION OF ROYALTY OWNERS—PENNSYLVANIA CHAPTER, LAWRENCEVILLE, PA; ON BEHALF OF NATIONAL ASSOCIATION OF ROYALTY OWNERS

Chairman Conaway, Ranking Member Peterson, Members of the Committee, it's an honor to speak with you today regarding this important issue. Thank you for the invitation.

I am Jackie Root from Lawrenceville, Pennsylvania. I speak today on behalf of the National Association of Royalty Owners (NARO) where I serve as the Pennsylvania state chapter President. Even though our producing minerals may be in Arkansas, New Mexico, North Dakota, Oklahoma, Pennsylvania, Texas, Wyoming or any of the 33 producing states NARO members live in all 50 states. NARO has been educating and advocating for mineral/royalty owners since our original incorporation 35 years ago in 1980. There are an estimated 8.5 to 12 million citizens who receive royalty income from the production of their private property—their oil and natural gas minerals. From a member survey a few years ago the average NARO member is 60 years old, a widow and makes less than \$500 per month in royalty income.

Of all the wells ever drilled around the world, the vast majority have been drilled in the United States—a nation that values private ownership of minerals and that also encourages both risk and the pursuit of profit. The United States is the only former colony that upon achieving independence, awarded the ownership of minerals to private citizens instead of to the state. This uniquely American model was suggested by Thomas Jefferson. His concept has helped make us a strong nation and it today is enabling America's rise to become the world's dominant energy producer.

About 70 percent of the mineral estate in the lower 48 states is private property owned by individual citizens. From a study conducted by Montana State University in 2012 it was estimated that roughly 77 percent of oil and 81 percent of natural gas produced onshore was produced on private property (not state or Federal property). Since 2012 and the continued development of the shale resources I would assume these percentages of production on private property have only increased in the past 3 years. From that same study we find that an estimated \$22 billion in royalties was paid to private mineral owners in 2012. Let's not forget that according to the Energy Information Administration the average price for oil is about 59% less than in 2012 and natural gas is about 25% less. So that \$22 billion paid in 2012 today would be at best \$16 billion and could be as low as \$9 billion. That is a significant “hit” on the individuals, like myself, who rely on this income for our livelihood.

We have provided additional information on mineral/royalty ownership and some of the impacts we see across the country with the current price downturn for oil

and natural gas in our written testimony so I would like to spend the rest of my time discussing my personal story.

My husband Cliff and I are first generation farmers; dairy was our commodity for 35 years shifting to a cow/calf beef operation in 2009. For 24 years, in a crop field dubbed "the gas well field," we mowed, planted and harvested around a steel pipe marking the site of a natural gas exploration well drilled and plugged in 1948. In 2000 a landman approached us to lease that land once again for possible exploration, after 5 years of research, multiple offers, visits from 11 different landmen and intensive networking with neighbors, we signed a lease and now host a producing Marcellus Shale well on our farm, just 1,200' from that old pipe. Our well was completed in 2008, in 2009 and 2010 thirty-one more wells were completed on twenty pads within our township. I estimate that over 700 royalty owners receive checks each month in just our township including farmers, retirees, widows, young couples, businesses, churches, municipalities and cemeteries. Like many farmers we have used this income to pay off debt, change enterprises, help with college expenses, fund retirement accounts, catch up on travel and maybe buy a horse or two. The constant stress of fluctuating commodity prices and unpredictable weather is softened a bit with additional income from leasing, royalties and pipeline right-of-way. Over the long-term I believe natural gas development will actually preserve our precious open space, successful farmers will farm the land rather than subdivide it. This income also finds its way into our local economy making life a little better for the entire community. I can quickly think of many friends and neighbors so thankful for extra income that was life changing and it is not all about instant millionaires. Entrepreneurs also seized opportunities and created new businesses, I started R&R Energy Consulting and have offered mineral management services to landowners for over 10 years. Current market conditions have curtailed new drilling projects and the lack of new pipeline capacity has had a dramatic effect on natural gas prices, this time in 2012 we received \$2.73 per mcf compared to just \$1.48 this month. Royalty income is down, leasing is sparse, layoffs in the oil patch now include many of our local folks and many businesses created in the [boom] are struggling. Though we do not produce oil in our little corner of the world, we appreciated the July 2015 hearing this Committee conducted that led to repeal of the oil export ban, recognizing the need to participate in world markets. Trading of LNG and ethane in world markets will be just as important to the Northeast with production of both wet and dry natural gas. Natural gas development in our township and other townships just like it across Pennsylvania has been a real success story, we hope that our leaders will support energy policy that will keep us moving forward.

To illustrate the far reaching impacts of each and every oil or gas well: Thanks to the efforts of one of our members, we recently took a snap shot of one "marginal" oil well (producing less than 15 barrels of oil per day) in Grady County Oklahoma. This one little well has over 300 individuals in 46 states receiving royalty payments from its production. While no one royalty owner in this well is getting rich numerous individuals anticipate that check that may come only once per year.

Just to give you an idea of how many citizens are royalty owners, if you take our membership in each state as a percentage of a total and then multiply by the estimated 8.5 million royalty owners (remember could be as high as 12+ million) you get a rough idea of how many royalty owners live in each state. And here are those numbers:

AK everyone	AL 33,150	AR 255,000	AZ 144,500	CA 510,000
CO 654,500	CT 17,000	D.C. 17,000	DE 2,550	FL 161,500
GA 85,000	HI 8,330	IA 33,150	ID 35,700	IL 76,500
IN 27,200	KS 147,900	KY 11,050	LA 125,800	MA 30,600
MD 35,700	ME 5,525	MI 44,200	MN 47,600	MO 110,500
MS 39,100	MT 47,600	NC 67,150	ND 24,650	NE 19,550
NH 13,600	NJ 47,600	NM 161,500	NV 44,200	NY 127,500
OH 30,600	OK 1,691,500	OR 51,000	PA 119,000	RI 5,525
SC 22,100	SD 5,525	TN 59,500	TX 2,975,000	UT 39,100
VA 85,000	VT 2,550	WA 39,100	WI 39,100	WV 19,550
WY 30,600				Total nationwide: 8,440,755

Remember, these are estimated numbers of *royalty* owners. The total number of *mineral* owners is much greater, as vast areas are unproductive or have not yet been explored and developed.

Here is example of the impacts to a state's economy from royalty's paid on oil and gas production: If we take the oil and gas produced in Oklahoma in 2014 and multiply that production by West Texas Intermediate (WTI) for crude oil and Henry Hub prices for natural gas and assume an 18% average royalty paid we get \$3,995,860,145 and using the same assumptions for 2015 we get \$2,607,332,684.

That is about a 35% decrease in dollars paid to the estimated 1.6 million individuals who receive royalty on Oklahoma production.

Let's apply the same assumptions to Chairman Conaway's home state of Texas. We find that in 2014 an estimate of royalty paid to over 2.9 million people (According to Black Bart Data LLC in Austin, TX the number of Texas royalty owners is over four million.) could have been as much as \$19 billion and even though production was higher in 2015, due to reduced WTI price, the estimated royalty paid to the same 2.9+ [million] people would have been about \$11 billion. That is about a 43% decrease in royalties paid. In July of 2015 the Texas Scottish Rite Hospital for Children reported that it had received about \$500 million in royalties over the past 4 years from donated mineral properties located in West Texas. As with other examples we assume the price drop in 2014–2015 of 40–60% has reduced the hospital's income proportionately as well.

In another example of local impacts, one of our NARO members in Wyalusing, PA, Jim Souto, Senior Vice President, Chief Administrative and Risk Officer for PS Bank used state Department of Environment Protection (DEP) reported production numbers and produced the following results: Prior to 2008, Bradford County Pennsylvania had no producing gas wells. As of January 2016, we now have 971 producing (Marcellus Shale) gas wells that yield more than 62 million units of gas per month. Using a royalty rate of just 12.50% and an average price of gas of just \$1.00, this generates an estimated \$7.75 million in royalties (paid to royalty owners) in my county each month. On an annualized basis, more than \$93 million in royalties are paid to individuals, schools, churches, DCNR, PA Game Commission, *etc.* in Bradford county each year. Jim said, "If you include the production of gas in neighboring counties, one realizes that royalty income is very important to our part of the state." Notice that Mr. Souto assumed a \$1.00/mcf price for the gas produced. What if that was \$2.00 or \$2.66 as EIA estimated prices for 2012 or even \$4.00? The impacts the natural gas industry has on this rural county and everyone who lives there are dramatic to say the least.

We can see positive impacts from a year or 2 ago on home prices: Energy In Depth (EID) reported that median home values rose 4.4% in Washington County Pennsylvania in February 2015 over the previous year; and in Johnson County Texas by 10.5% and 15.3% in Weld County Colorado over the same time period. We can only speculate on what has happened in these counties' home values as oil and gas prices have fallen up to 59% (from 2012) and leasing and drilling activity [has] all but ceased.

You can go around the country and find impacts to rural America from oil and gas production. Here are some quotes from a public meeting on what oil and gas production means to a Colorado rural county: Sean Conway, at-large Weld County Commissioner—"What our oil and gas opportunities here in Weld County allow is the family farm to stay in the family." Bill Jerke, a farmer, mineral owner, and former Weld County Commissioner—"It seems that oil and gas has become agriculture's best friend over the last 20 or 30 years here in Weld County. We have ups and downs all the time in agriculture. There's nothing more helpful than being able to go to that mailbox and getting a royalty check. And that helps keep more people in agriculture, and more people healthy economically, than crops, frankly, and livestock prices." Don Shawcroft, President of the Colorado Farm Bureau—"Weld County is number one in the state for agriculture and number eight in the nation. This is not in spite of oil and gas but in part because of it."

Everyone has heard stories from North Dakota over the past few years so let's look at some of the reported impacts to Williston, once considered the epicenter of the boom. Williston has lost at least $\frac{1}{4}$ of its population, which was as high as 42,000 in 2013. Unemployment claims in Williams County, where Williston is located, have tripled. The county's taxable sales revenue in the third quarter of 2015 dropped by more than 44 percent from the same period a year earlier.

But the city also has a new \$70 million recreational center that the park district director says is among the largest in the nation. Construction is nearly finished on a \$60 million high school and a \$115 million wastewater treatment plant. A \$160 million truck bypass opened last year, and the city has about $\frac{1}{2}$ the funding lined up for an expanded, relocated \$245 million airport, according to Mayor Howard Klug.

North Dakota's boom was epic. Thousands moved to Williston, nearly tripling the population in 5 years, pushing rental prices to the highest in the U.S. and prompting the construction of temporary "man camps," among other measures. Streets, stores and restaurants were overwhelmed. Unemployment dropped to 0.7 percent. The city's economic development department reported that the average salary was nearly \$71,000 a year.

In June 2014, oil peaked at \$107.95 a barrel and started dropping, largely because the global supply was increasing while demand waned. Several factors contributed. U.S. production has risen significantly in recent years. Meanwhile, the 13 country Organization of the Petroleum Exporting Countries, led by Saudi Arabia, has balked at cutting oil production to drive up prices because OPEC wants to maintain or grow its share of the market, according to the U.S. Energy Information Administration. In addition, Western sanctions on Iran have been lifted, bringing its oil to market. And previously strong economies in China, India and Brazil slowed, easing oil demand there.

As we have demonstrated, the payment of oil and gas royalty for production on private property is of untold benefit and importance to millions of American citizens including millions of rural residents. The price collapse that began in 2014 and continues today has resulted in royalty payments to individuals decreasing by as much as 60% from 2012. When you couple that with the nearly 80% decrease in drilling rig activity and little to no lease bonus payments, rural communities who just months ago were awash in good paying jobs, increasing property values, flush state and county tax coffers are now witnessing stacked drilling rigs, company and field operations layoffs, development projects put on hold or canceled and little to no leasing activity.

The hardship that reduced commodity prices have placed on the oil and gas industry, service industries, Federal, state, and local tax collections and private royalty owners are a result of the free market system that we NARO members believe strongly in. We therefore ask this Committee to please keep us in mind when considering what could become harmful Federal policies like removal of the percentage depletion tax deduction that royalty owners have had the ability to utilize since the 1920's. We further point out that there are those (even Members of Congress) who would deny our private property right to develop our private property mineral estate as they have stated all fossil fuels should be "left in the ground". We are continually bombarded with activists' operating in our states and communities seeking to prevent or deny the development of our private mineral property without "just compensation" that the U.S. Constitution guarantees. We would be happy to enter into the debate on the realities of supporting our economy, lifestyle, health, sanitation *etc., etc.* without the production and consumption of our oil and gas assets but that is probably a different hearing.

Thank you for the opportunity to present the collective views of millions of private property mineral owners. If we may provide any additional information or be of service or assistance to the Committee, please let us know.

The CHAIRMAN. I want to thank our witnesses. The chair will remind Members they will be recognized for questioning in the order of seniority for Members who were here at the start of the hearing. After that, Members will be recognized in order of arrival. I appreciate Members' understanding of that.

With that, I recognize myself for 5 minutes.

Angie, you also served on the hospital board there in Winkler County?

Ms. SIMS. That is correct.

The CHAIRMAN. All right. You have to use the microphone.

Would you walk us through what went on at the hospital when the prices were running up, property values went up, your tax revenues up, and now what is happening to you when those are tailing off? Can you walk us through the hospital's experience with this?

Ms. SIMS. Yes, sir. In 2006, Winkler County Memorial Hospital, we built a 19 bed, state-of-the-art facility. It is, of course, county-funded. We do receive funds from the county from the oil and gas revenue. Things have been good. We have had great providers in there. We have a beautiful hospital. In 2015, we also finished our new clinic that is capable of holding five providers. The unfortunate thing about it is the drop in oil prices means less help from the county. Hospitals are not moneymakers, by no means. We are kind of dependent upon Medicare, Medicaid reimbursement, insurance

reimbursements, things like that. So the hospital has been a great addition to the community as far as employees.

Again, without that, the county support is going to be more and more difficult to——

The CHAIRMAN. You and I know where Kermit, Texas, is, but I am not sure anybody else could find it quickly. How far to the nearest major trauma one hospital?

Ms. SIMS. That would be in Odessa, Texas, 45 to 50 miles.

The CHAIRMAN. Okay. And so to the folks in the county, this hospital, obviously, this hospital is a big deal in terms of entry into the healthcare system as well as all the services that you guys provide there?

Ms. SIMS. That is correct.

The CHAIRMAN. The revenue comes from property taxes, which are based on the value of the oil and gas still in the ground?

Ms. SIMS. Correct.

The CHAIRMAN. And that is based on price moving up and down. Thank you.

Mr. Causer, you mentioned pipeline development and the impact that has. Can you walk us through the issues or what problems you see with it? Also, if you have been around the oil and gas business long enough to see changes in the way the industry itself responds to environmental issues and the way they try to go about protecting the land and turning it back over to the landowner once their operations are through?

Mr. CAUSER. Pipeline development, Mr. Chairman, is the next step, I think that is something that is very important in our state. We have a lot of areas where you can drill an unconventional well, but if you can't pipe it anywhere, it is not any good to you. So pipeline development is the next thing. But there are challenges——

The CHAIRMAN. You are talking about natural gas production instead of oil production?

Mr. CAUSER. That is correct, natural gas production.

But the challenges associated with permitting those projects and then dealing with the pushback from the environmental groups can be a challenge, but that is something we have to work through. Because as I said, if we can't pipe the natural gas anyplace, that is not any good to us.

The CHAIRMAN. I suspect you are going to be biased in your answer, but those regulations that you are talking about, are those best done at the state level or here in Washington?

Mr. CAUSER. This may sound biased, but I do believe the state is better equipped to regulate this industry than what the Federal Government is. And we have been pushing for reasonable, responsible, regulations at the state level for quite some time. So I would agree with that statement.

The CHAIRMAN. Ms. Root, will you walk us through how a royalty owner actually gets their share of the revenue from the sale of oil and gas?

Ms. ROOT. We enter into an oil and gas lease with the company.

The CHAIRMAN. And you are paid there?

Ms. ROOT. Pardon?

The CHAIRMAN. And the royalty owner is paid there for entering into the lease? There is a lease bonus there?

Ms. ROOT. Yes. And then depending on how the well is drilled, in this case, most of it is horizontal wells encompassing maybe a square mile, and everyone shares in that royalty proportionately to the land they have in that unit.

The CHAIRMAN. All right.

Ms. ROOT. And then in the revenue proportionately.

The CHAIRMAN. So each month there is a check, or depending on the amount of the check, but each month, generally, each royalty owner would get a check from the folks at the petroleum production?

Ms. ROOT. Correct.

The CHAIRMAN. All right.

Mr. Peterson, 5 minutes.

Mr. PETERSON. Thank you, Mr. Chairman.

I am interested in what the impact of this downturn has had on Pennsylvania and Texas. I am familiar with North Dakota somewhat. They had this tremendous boom, and there was reaction to what happened the last time they went through this boom. And so there was a reluctance to build infrastructure to deal with it. And so by the time they finally got it going, and got the school buildings and the department buildings and all this other stuff to try to catch up, about the time they got this stuff coming online, the prices collapsed, and now you have apartments sitting empty; you have all kinds of issues that I am not sure how it is all going to sort out.

So is that the same kind of thing going on in Pennsylvania and Texas, or have you been through this enough times that you didn't have quite as big of a situation?

Mr. CAUSER. It is a similar situation in that we have started addressing the infrastructure issues. We have had oil and gas in Pennsylvania and parts of it for decades, over 150 years. But the natural gas boom brought gas development to areas that had never had any development. And we did have issues with hotels, with other infrastructure, with road maintenance, and we have, by implementing what we call an impact fee in Pennsylvania, a per-well fee, we have been using that to address those impacts.

But, your point is well taken. When the price of natural gas went back down, it created a situation where we still have work to do on our infrastructure.

Mr. PETERSON. Is Texas similar?

Ms. SIMS. Actually, in west Texas, boom-and-bust cycles are something that we are accustomed to. The oil and gas industry in our area is the mainstay. So we are prepared for when it is big and when it is small.

Infrastructure has been picking up. We have built more hotels in the region, in the area. There are increased jobs. The folks that may not be working in the oil field right now are now working at the restaurants that were built during the time of the boom.

We do see a downturn as far as tax implications or tax revenues, but as far as becoming a ghost town again, not necessarily the Kermit area or that area around there where this is something that we are accustomed to.

Mr. PETERSON. Thank you.

Ms. Root, I was looking over your testimony here, and you are showing the numbers of royalty owners and estates. And I am curi-

ous how it could be that Minnesota, which has no oil, has 46,600 royalty owners, and North Dakota only has 24,650.

Now, we had a bunch of people go out to western North Dakota back before this all happened. You could buy a three-bedroom house, a very nice house, for \$5,000. And a lot of people did, and they used them for pheasant hunting and so forth. They bought it and let it sit empty, except in the fall when they went hunting. They bought some land for pheasant hunting at probably \$200 an acre, it was the poorest place in the United States, probably. Then this oil thing hit, and all of a sudden, that \$5,000 house is worth \$100,000, and they received royalties.

There is some of that, but there aren't enough pheasant hunters to get to 46,600 royalty owners. I am wondering what is going on there? Were those limited partnerships that were sold? I know they were selling limited partnerships in gas wells, many years ago, for tax avoidance kind of things. Is that what it is? Do you know how that could be?

Ms. ROOT. Well, the numbers here reflect people who own minerals in the states they live in, and in other states, that is why you have a lot of mineral owners in states with no production. You can go to New York City and find a lot of people that own minerals across the country. And we used the basic information from our membership to extrapolate those figures. It is an estimate. But royalty checks are sent to people all over the country.

Mr. PETERSON. I understand that. If you could go look into those numbers and tell me, generally, where those 47,600 mineral rights are held. They are probably not in North Dakota. They are probably in the gas area, in Illinois, Iowa.

Ms. ROOT. We could get you some more information for that.

Mr. PETERSON. Yes. I would just be curious, because it doesn't seem to—

Ms. ROOT. And mineral owners own anything from a half an acre to thousands of acres.

Mr. PETERSON. No, I get that. But, still, it just seems curious.

Ms. ROOT. Okay. We will provide more information.

[The information referred to is located on p. 37.]

The CHAIRMAN. The gentleman yields back.

Mr. Thompson, for 5 minutes.

Mr. THOMPSON. Mr. Chairman, thank you so much for this hearing.

And thank you to the witnesses, for bringing your expertise to Washington on this issue. This is all about our rural economy, and I think that, obviously, the Agriculture Committee is committed to make sure we have a strong, robust, rural economy all across this country. And today, we are focusing on oil and gas.

Chairman Causer, land-grant universities play a critical role in our communities, specifically with research and services provided by extension services, extension activities. I know in Pennsylvania, we have been blessed to see much of this work applied to our robust agriculture industry, as well as more recent economic activity such as development of the Marcellus Shale. In your view, how have our land-grant university extension services activities been beneficial for farmers and landowners with relation to the Marcellus?

Mr. CAUSER. Well, the land-grant university, and, of course, in Pennsylvania, that is Penn State University, has been very beneficial in helping landowners throughout our Commonwealth. We have offices in each and every county in Pennsylvania, as you well know, and they have been very helpful in helping landowners plan. Because many parts of the Commonwealth saw no oil and gas development in the past, and now has, with the advent of the Marcellus and more recently, the Utica Shale has seen natural gas opportunities. So the land-grant universities have been central to helping and providing information for landowners and farmers.

Mr. THOMPSON. Thank you.

Ms. Root, I want to look at the Endangered Species Act and its implications on oil and gas development. The northern long-eared bat was listed as threatened under the Endangered Species Act just last year. How might such a listing of threatened or endangered under the Endangered Species Act impact both agriculture and energy production? And what kind of impacts have mineral right owners seen so far in Pennsylvania with such listings?

Ms. ROOT. Well, I know it has had a big effect on the buildout of pipeline, which is critical to moving the product that they found in what is the second largest plague to natural gas production in the world now.

And that comes down to farm operations, too. When they designate these species at risk, it can stop production in crop fields as well as pipelines, and sometimes we have seen drilling rigs stalled because they have had to wait for an endangered flower to bloom to see if it possibly exists in an area where the conditions are right.

And sometimes they are holding out, whether it is the ability to farm a field, or build pipeline, or build a well pad. They are holding up a lot for something that is a big maybe. And we would like to eliminate some of the uncertainty there when it comes to moving forward in both agriculture and with the development of our resources.

Mr. THOMPSON. All right. Thanks.

Ms. Sims, I understand Texas has a fairly unique asset that funds its universities and school systems, the permanent university and permanent school funds. Now, I am also a Member of the Education and the Workforce Committee, so I would be interested in how those assets are used and how much they contribute to education in rural Texas?

Ms. SIMS. Yes, the permanent school fund, at the end of Fiscal Year 2014, had a total of \$36.3 billion total assets. At the end of 2013, it was at \$14.9 billion, so you can definitely see the rise from the oil prices.

How is it important? How does it work? I am not sure how it works. Texas has a very unique situation where many, many years ago, hundreds of years ago, folks set aside certain lands for the development of oil and gas and the revenues to go to the education systems.

And I apologize, I forgot your question.

Mr. THOMPSON. That is all right. You addressed it, actually.

Ms. SIMS. I apologize.

Mr. THOMPSON. Just the foresight to set aside that asset, some of those lands and acreage dedicated to funding education.

Ms. SIMS. That is correct.

Mr. THOMPSON. Which is always an investment in our future, great investment in our future.

Ms. SIMS. Yes, sir.

Mr. THOMPSON. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.

Mr. Walz, 5 minutes.

Mr. WALZ. Well, thank you, Mr. Chairman.

Thank you all for being here. I appreciate what you are saying in representing a rural district. Also, as a geographer, I understand that location is everything many times. And your states are blessed with, and our nation is blessed with resources that we can use to make ourselves energy independent, and that is not only good economically, it is good national security-wise.

I would take it just one step further. In my district, in southern Minnesota, we too are blessed with the ability to produce energy, and that comes in the form of wind, and solar, and biofuels. And I bring this up only because the issues you are talking about and the positive returns to the community are exactly the same things we see in that. And the cautions that some of you said, Ms. Root, about policies that infringe upon that, we need to be careful of.

We should not be in the business of picking winners and losers, and we should make sure that these industries have the opportunity. So I say that to my colleagues that I am appreciative, and we want to see your states thrive, but I also think we need to make sure that we are talking about the impact to rural communities from a variety of perspectives.

And I know this is not your area of expertise, but I am assuming you see some of these other energy sources also in Pennsylvania, Mr. Causer. If you can tell me, is it the same type of situation?

Mr. CAUSER. You are correct. And we need all forms of energy. So your point is well taken. In Pennsylvania, we do support all forms of energy, because for our energy independence and domestic uses, we do have to promote and do what we can to support all forms of energy development, and that is what we tried to do in Pennsylvania.

Mr. WALZ. I think that is the message for all of us. Because I agree with you on this, that the issue all of us share, transmission, whether it is transmission through pipelines or transmission through power lines, talking to the public about how we have common interests in this. Because whether you produce that energy with fossil fuels or you produce it with renewables, you still have to move it at some point in time.

There is a commonality here. I appreciate all of you, this advocacy for rural America, I would be remiss if I didn't have a little chip on my shoulders when the RFS gets hit all the time, because those are jobs; those are communities growing; those are things that are being created there. And you do compete, I get that. But that is a healthy competition. But, for all of us, that recognition that if we are producing energy in America, regardless of where it has come from, that is a good thing. If we are producing it in rural areas, that is a double benefit, because these areas are hardest hit.

So I am grateful for your advocacy. What you find is that there are a lot of commonalities here. And for most of us, striking that

proper balance—and I don't think it is an either/or choice, that none of us want to see environmental damage or species extinct, but we also want to strike that proper balance so that we can produce our energy. And I believe those solutions are out there.

So, Mr. Chairman, I thank you for holding this hearing, and I am grateful that you recognize how important this is to rural America.

The CHAIRMAN. Thanks, Tim.

Mr. Scott, 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman.

Chairman Causer, I want to ask you about the drilling on the National Forest land, and what challenges, if any, have the oil and gas industry experienced, and have those challenges always been there, or have they changed over the last several years?

Mr. CAUSER. In Pennsylvania, we are blessed to have the Allegheny National Forest that is over 500,000 acres. It is a very unique National Forest in that the U.S. Forest Service controls the surface, but 93 percent of the subsurface is not controlled by the Federal Government. So the subsurface is owned by private interests, or private companies, and we have had oil and gas wells on the Allegheny National Forest for many years. Our communities depend on the crude oil that comes off the Allegheny National Forest that support the ARG oil refinery in Bradford, Pennsylvania.

As I said, we depend on that, and we need to make sure that we continue to have access to those wells on the National Forest. They have been central to our communities. At times, we have had challenges, because there have been times that the U.S. Forest Service, in my opinion, exceeded its authority to regulate those subsurface minerals. And with Congressman Thompson's help, we have been able to push back against that exceeding of authority, to maintain access to those minerals.

So it has been a situation where we depend on those wells on the National Forest.

Mr. AUSTIN SCOTT of Georgia. So if I understand correctly, the land is owned by the Forest Service, but the commodity that is underneath the land is owned by private individuals?

Mr. CAUSER. That is correct.

Mr. AUSTIN SCOTT of Georgia. Is it leased? Was it originally leased from private individuals, those rights? Or did they buy it from the Federal Government?

Mr. CAUSER. We have many severed estates in Pennsylvania, and that causes us some challenges also. But back in, I believe it was 1929, when there was an agreement with the state to create the National Forest, the surface was transferred to the Federal Government, but the subsurface never was. And the subsurface is privately owned by many companies, and some leased, most of it leased, to oil and gas companies.

Mr. AUSTIN SCOTT of Georgia. Ms. Sims, my wife and I have been small business owners for a long time, and certainly seen changes in the rules and regulations in the industry that she is in.

Can you describe how the well services industry works, and what changes have occurred in the last 10 years, 20 years, since you have been in the business up until today?

Ms. SIMS. Yes, sir. There are many facets of well servicing. There are several different types of companies and services that go out to a well site. What Buster's Well Service does, we provide a work-over rig or a pulling unit. Our equipment is utilized to access anything down hole. Once the well has been drilled and is completed and producing, our rig goes out to location, goes over the well head. We pull the tubular goods out, replace tubing, replace pipe, replace pumps down hole, or if a well needs to be re-entered or drilled through a bridge plug, the pulling unit is there for that.

There have been new innovations as far as efficiency on a pulling unit, there has been more automation to the well servicing rig. Again, we run safer; we run cleaner.

Mr. AUSTIN SCOTT of Georgia. Is it pretty much the same process of pulling a water pump from a well?

Ms. SIMS. Thank you for bringing that up. I was going to suggest that.

But, yes, sir, it is bit more extensive and a little bit more dangerous, but yes, it is a same process if you think of it that way.

Mr. AUSTIN SCOTT of Georgia. All right. Thank you. Thank you for being here.

Mr. Chairman, I yield the 20 seconds I have yet.

The CHAIRMAN. The gentleman yields back.

Ms. KUSTER, 5 minutes.

Ms. KUSTER. Thank you, Mr. Chairman.

And I just want to echo my colleague, that we don't have oil and gas wells in New Hampshire where I am from, but we do have, in the rural communities, particularly bioenergy is a very big piece for us. We burn a lot of wood and wood chips, and that is a big growing industry for my timber interests.

So I am interested in the siting issues, since we do have siting issues. And in particular, in New Hampshire right now, across the southern tier of my district, is the proposal for a very substantial natural gas pipeline. And this will be coming from the Marcellus Shale gas from Pennsylvania. It terminates in Dracut, Massachusetts. And if you know your New England geography, you might wonder why it goes to New Hampshire. And that is what we all are wondering now as well. It is proposed to cross 18 towns in my district. But we won't actually get the benefit of it.

So, not surprisingly, I have homeowners and community leaders very worked up about this pipeline. They are very, very concerned. And particularly not just environmental issues, it crosses back and forth in beautiful rivers and streams and protected areas. And it is not very well laid out, let me say.

So I am dealing with a lot of concern. But much more importantly for me it is a public safety issue for my communities. And in particular, I want to ask Representative Causer, because I know you have a background as a emergency service provider. So here is the situation: and these are very small towns, by the way. These are towns of 7,000 people. These are volunteer fire departments, so just to set the stage for what I am concerned about. And in particular, a compressor station in a town called New Ipswich that I have been to. Right next door to the elementary school is where it is proposed with children from kindergarten through 4th grade. So

I just want to ask you—and thank you all for your public service. I think most of you have served the public in your various roles.

In this situation where the town does not have the appropriate resources to respond to a blow-down or venting or other incidents that might occur, what would you recommend? Do you think this is a smart place to put this compressor station? What would you recommend in rural communities with the volunteer first responders, how we would respond to a major incident?

And, by the way, just to give you a sense, this is probably 40 miles from any kind of substantial first responders in Manchester or Keene, New Hampshire.

Mr. CAUSER. I thank you for the question. I represent one of the more rural parts of Pennsylvania. I have communities with less than 1,000 people and nearly all volunteer fire companies. And certainly, emergency preparedness is something that is very important, especially looking at the oil and gas industry. And compressor stations are very essential, along with the pipeline network that needs to be built. You have to have compressor stations, but the proper placement, where you put those is something that is very important in the planning process.

Ms. KUSTER. Are they typically further from an elementary school, that just didn't make any sense to me at all. Would they typically be located—

Mr. CAUSER. I can't comment on that particular situation, but I do think that placement is important, and I don't know the details of where that would be. But, also, emergency preparedness for any potential incidents is something that is very important. That is why in Pennsylvania, we enacted our impact fee. And one of the proper uses of the impact fee that is assessed on the wells is emergency preparedness and emergency response.

Ms. KUSTER. That was going to be my question. So the industry that pays—I mean, because this is the other problem, is these are taxpayers. They are trying to have good schools. They are trying to do other things with their tax dollars. And as I said, they are not going to benefit from this installation. Tell me a little bit more—and I only have 10 seconds—for the impact fee.

Mr. CAUSER. Our impact fee is a per-well fee that is used for a host of other reasons, but emergency preparedness and 911 service, and emergency response, even for volunteer agencies, is one of the uses for—

Ms. KUSTER. So the challenge for us, we don't have the wells. But I will have to look into it further.

So I yield back. And thank you.

The CHAIRMAN. The gentlelady yields back.

Mr. Crawford, 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman.

Ms. Sims, Kermit, Texas, I am not entirely unfamiliar with west Texas, but I know it is a small town, and most of us on the Agriculture Committee know a little something about small towns.

Do you actually live in town, or do you live out in the country?

Ms. SIMS. Actually, I live 6 miles south of Wink, Texas, which is about 8 miles—

Mr. CRAWFORD. More rural?

Ms. SIMS. More rural, yes.

Mr. CRAWFORD. I got you.

Are you on well water? Are you on the municipal water supply?

Ms. SIMS. At my particular house, I am on well water.

Mr. CRAWFORD. Well water? You ever have an experience of contaminated ground water?

Ms. SIMS. No, sir.

Mr. CRAWFORD. Interesting. It is one of those things that the media seems to pay an awful lot of attention to, but it seems to be overblown. Would you agree?

Ms. SIMS. I do agree with that. There is production all around my 80 acres. My neighbors behind me have a wonderful water well that they grow wonderful alfalfa crops with. The neighbors across the highway, they grow alfalfa as well. None of us in that area have ever had any contaminated water.

Mr. CRAWFORD. Interesting. Let me move on to another, probably historically, and you tell me if I am wrong here, but in the oil industry the blue collar workers that you employ, have employed over time, part of the training they receive, on-the-job training, is that safe to say?

Ms. SIMS. Ninety percent of it is going to be on-the-job training. There are specific requirements, H₂S training, CPR training, blood-borne pathogens, some other safety requirements, things like that, but our blue collar workers, they are high school-educated individuals, or some of them didn't even graduate high school.

Mr. CRAWFORD. As technology is advancing, are you seeing more of a need for a little more workforce education in the oil fields?

Ms. SIMS. To be honest with you, they need to learn how to work a shovel before they can learn how to work anything, so, yes.

Mr. CRAWFORD. So it is pretty labor intensive, but as your workforce advances and technology advances, obviously, some educational components are there?

Ms. SIMS. Yes, sir, that is correct. There is a need for some computer technicians, some automation-type people, but it is still very blue collar.

Mr. CRAWFORD. In your communities, do you have community colleges that are potential partners for a workforce education that could serve your industry?

Ms. SIMS. Yes, sir. In both Midland and Odessa Colleges, they do have some training courses. For your CDL drivers, over the hole, some well-completion type courses which are new to the industry, and they are doing a lot more training.

Mr. CRAWFORD. Are you involved in helping develop curriculum so you can expedite the workforce education?

Ms. SIMS. Yes. The AESC, the Association of Energy Services Companies has been very beneficial in that and are working very closely with our community colleges.

Mr. CRAWFORD. Excellent. So in more ways than one, it is not strictly a manual labor opportunity, but it is an advancement opportunity that pays dividends in the community, is that safe to say?

Ms. SIMS. Yes, sir, that is correct.

Mr. CRAWFORD. Excellent. I appreciate you being here.

And, Mr. Chairman, I yield back.

Ms. SIMS. Thank you.

The CHAIRMAN. The gentleman yields back.

Mr. Davis, 5 minutes.

Mr. DAVIS. Thank you, Mr. Chairman.

I want to follow up a little bit on what Mr. Crawford was talking about, Ms. Sims, if you don't mind. We had a lot of talk about college affordability.

I know many of the workers that he is talking about, the blue collar workers that work in the oil fields, do most possess a college degree?

Ms. SIMS. As far as the blue collar workers, the gentlemen that are out on my rigs, no, sir. Some engineers, yes.

Mr. DAVIS. What is the average compensation of a blue collar worker on one of your rigs?

Ms. SIMS. Anywhere from \$25,000 to \$115,000 per year.

Mr. DAVIS. Okay. Well, you mentioned they need to learn how to use a shovel first, on-the-job training, if there is workforce development issues, obviously, we would love to be able to make sure the government works for you. But in most cases, as with many jobs in the private-sector, it is up to them to determine what type of work and promotion they want to get to by doing the job that they were trained to do by you, right?

Ms. SIMS. Yes, sir. that is correct.

Mr. DAVIS. Is there anything you can think of that we can do to reduce the regulatory burden, and allow your industry to grow even more?

Ms. SIMS. How long do we have?

Mr. DAVIS. We have 3 minutes and 46, 45, 44 seconds.

Ms. SIMS. Yes, sir. Definitely, over-regulation has been an issue with us as far as employment and keeping people working in the oil and gas industry. The U.S. Fish and Wildlife Agency, with their Endangered Species Act, have threatened to slow us down some. The FMCSA, CLA—

Mr. DAVIS. FMCSA.

Ms. SIMS. Yes. The DOT issues, the CDL drivers, putting more and more restrictions on the CDL drivers. The hours of service issues has been a huge deterrent, both to either get a CDL or to do the type of jobs that we need.

Mr. DAVIS. Are you having a problem getting people to apply for jobs that are well-paying, but require the CDL for your truck driving jobs?

Ms. SIMS. Yes, sir.

Mr. DAVIS. I represent Decatur, Illinois, and ADM built an intermodal facility, and up until recently, they had the hardest time filling truck driving jobs, because they didn't pass, the applicants couldn't pass a CDL or other required tests, including a CDL.

Ms. SIMS. Correct.

Mr. DAVIS. And they were paying \$60,000 a year right off the street. So now they seem to fill those, but I am guessing from your comments, you have the same situation happening with you?

Ms. SIMS. Yes, sir, we do. The more regulations and requirements they put on CDL drivers have definitely been a deterrent.

Mr. DAVIS. Well, I am glad to hear that. My other committee is the Transportation and Infrastructure Committee, where we address those types of regulations. And many of them that you men-

tioned, we are actually trying to work on to make it better for people like you who are the job creators in this country.

So if you think of any more instances, anything else we can do, please let us know.

Mr. Chairman, thank you for your service. I also represent many areas of less than 1,000 people, and many volunteer fire departments, so it was great to see your back-and-forth with Ms. Kuster, too.

You mentioned in your testimony on conventional oil development. Can you name some other industries that are actually positively impacted by this unconventional oil development?

Mr. CAUSER. There are many, many industries that are impacted. We are putting people to work in many different areas. And in parts of rural Pennsylvania, we put people to work just by expanding hotels and restaurants. The ancillary businesses, just supplying pipe for well development, has been a significant impact.

So there is a whole host of different industries, ancillary industries, that have benefited from this development. Obviously, the industry is at a downturn right now, but we stand ready to maximize that benefit again once things recover.

Mr. DAVIS. Well, I will ask you the same question. I only have 51 seconds left, so think of one. Are there any other regulatory issues that you see Pennsylvanians are facing, because you have the unique perspective on the governmental side, too, that we might be able to address at the Federal level?

Mr. CAUSER. Well, Pennsylvanians are facing a regulatory challenge on many levels. Even on our state level, we have a Governor who wants to enact some of the most stringent regulations on the oil and gas industry that we have seen in a long time, and we are working hard to push back against that. So whether they be Federal or state regulations, I think that the pressure from the environmental groups are there, and we need to push back and make sure that we don't regulate this industry to the point where many, many more people would be put out of work.

Mr. DAVIS. Well, thank you. And thank you for your time.

Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Ashford, for 5 minutes.

Mr. ASHFORD. I don't have any questions, Mr. Chairman. Thanks.

The CHAIRMAN. All right. Mr. Yoho, for 5 minutes.

Mr. YOHO. Thank you, Mr. Chairman.

I appreciate you, all, being here.

Ms. Root, I see you are a cattle farmer. Congratulations. I am a veterinarian, worked on plenty of Herefords, and that is one of my favorite breeds.

What have the positive benefits been from the oil production in your area on ag, and what are the negatives that you have seen?

Ms. ROOT. Well, there has been a lot of positive benefits. Sometimes the negatives go down the road of decreased milk production, it causes all kinds of problems. But those things really don't exist. What it does is bring more money into the farm operation, and helps balance the uncertain commodity prices that we always face. So it allowed farmers to plan for retirement that they haven't been

able to do in the past. It has allowed improvements in the farm operation, updating equipment, making the farm safer, allowing for the farm to continue into the next generation, and that is extremely important.

I mentioned open space. A successful farmer will farm the fields rather than sell it off for development. So a lot of it is the income from this that has bolstered the farm economy and on a very personal level.

Mr. YOHO. Okay. And I appreciate that. You haven't seen the negative side effect, right?

Ms. ROOT. It is really hard. Maybe I am jaded here. It is really hard to find a negative effect. We think that development has been done responsibly. You can't develop better technology unless you are able to practice the technology. I live on the border of New York State where farmers up there would love to see this production happen. We believe that their minerals are being stolen, held hostage, in that area, and they could be sharing in this as well. And we don't believe that it is an environmental disaster.

Mr. YOHO. Okay. Thank you.

And I have seen that you have a tremendous amount of experience. You started off with just a few acres that you are managing, now you are manage over 200,000, is what I read.

Ms. ROOT. I have a consulting business where I have helped landowners with over 200,000 acres.

Mr. YOHO. I appreciate that.

Ms. Sims, in your system you mentioned over-regulation as Congressman Davis brought up that do more harm than good. Do you have any specific regulations, and you cited the CDL, those are things that we are looking at, the tonnage of trucks. Are there any on the drilling side getting the permit, things like that, that you are running into from a Federal standpoint that we could look at maybe easing and turning it over to the states and let the states regulate it?

Ms. SIMS. Yes, sir. In our industry we definitely believe that this state can do a better job of regulating. Drilling is not necessarily my expertise of business, but I am in the care of the well after the drilling. But from my cohorts and folks that I know in the drilling business, the availability of the permits, getting the permits, the timeline, the cost—

Mr. YOHO. What is the time for an average permit?

Ms. SIMS. To be honest with you, I am really not sure and I apologize.

Mr. YOHO. Okay. We can get that. The other thing is, do you have NGO or environmental groups challenging you with what might be deemed frivolous lawsuits?

Ms. SIMS. Not necessarily in our area. Not so much.

Mr. YOHO. Okay. And then, Mr. Causer, what are the documented or verified impacts to the residents, environment, or the ag community in your area of Pennsylvania that you have seen?

Mr. CAUSER. I would say that the impacts are very positive, as has been stated before. Putting people to work, helping farmers, protect the land, actually giving them revenue to keep the land in production. We had farmers that would piece their equipment together, decades-old equipment, just to keep it going and now they

have actually got some revenue to continue and actually expand the farm. And rather than subdivide and sell off the farm, they are keeping it in production. And so it is hard to find any negative when it is putting people to work and really helping the economy of rural Pennsylvania.

Mr. YOHO. Ms. Sims, you already answered this. So Mr. Causer and Ms. Root, have you seen any problems with wells in your area? I live on well water and it is very important to me. Have you seen a negative impact on wells from the oil production?

Ms. ROOT. Well, I mentioned we have 20 pads in our township. Our particular township has seen no problems with water. There are areas where there has been methane migration, but I will say, my parents drilled their water well in 1981 and you could strike a match at the water wellhead. It is a naturally occurring phenomenon in our area.

Mr. YOHO. It is.

Mr. CAUSER. I would concur. If the well is properly drilled, which we know that most companies are operating in a proper manner, then there really is no problem. And that is why reasonable regulations are one thing; over-regulation is a real problem.

Mr. YOHO. Right. I appreciate you guys and I appreciate what you do. Keep up the good work. I yield back.

The CHAIRMAN. The gentleman yields back. Anyone else want a second round? G.T., you are up. G.T.

Mr. THOMPSON. Thanks, Chairman. Ms. Root, Jackie, well, actually, both you and Chairman Causer are in a unique position because you are in the northern tier, so you are right there on New York's front porch. I would be curious to hear from both of you, starting with you, Jackie.

We have been talking about the good things that have been happening in Pennsylvania and, specifically, rural Pennsylvania in a robust rural economy. Having that front porch view of New York State, what do you see happening in New York where government regulations and government bureaucrats have just—and special interest groups have just stopped the development and utilization of those resources?

Ms. ROOT. Well, there was a lot of landowners, farmers, poised to cash in on the boon when it happened back in 2008. And I know lots of them that had asked me, when is this going to happen? In 2008 I thought, well, this is going to blow over in a couple of months, and here we are, 8 years later, and they essentially confiscated their rights. And I don't know what we see on the horizon for a change on that.

We see farmers that struggle, continue to struggle that could be helped by this. The workforce, the people that have been put to work in our area, my children have lots of friends that are in the business. Now we are seeing the downturn and they have experienced the layoffs. But it has done an awful lot for our local economy and they are just not seeing that up in New York State.

My newspaper comes from New York State and I read over and over about the wasteland in Pennsylvania because of the drilling. And they are just not coming to see what the real picture is because that is not what the picture is in Pennsylvania.

Mr. THOMPSON. Yes. Thank you.

Ms. ROOT. I don't know what you can do to make that happen, but they could use some help.

Mr. THOMPSON. Chairman Causer, you go right up to the New York line, obviously, in your legislative district. Any observation of the state of the economy in New York compared to what you are seeing in rural Pennsylvania?

Mr. CAUSER. I actually feel bad for property owners in New York State, and I have heard from many of them who are very frustrated with the fact that they have this potential right under their feet and cannot maximize that potential because of the moratorium that New York State has placed on unconventional drilling. And ironically, we have a northern access pipeline that is being constructed in McKean County to take unconventional gas, natural gas from the northern tier of Pennsylvania up into the southern tier of New York. So they have a moratorium in place, but would like the natural gas from the northern tier of Pennsylvania for their homes and industries in New York State.

It is very shortsighted by the State of New York, and my hope is that in the future they will lift that moratorium to give the taxpayers in New York State and the property owners access to those minerals.

Mr. THOMPSON. Thank you. Chairman Causer, your work in the state legislature in Pennsylvania, my understanding is, obviously, the permitting fees that go along with development help to increase, provide adequate oversight. It has helped to fund the extra boots-on-the-ground that have been necessary, you want to make sure we are getting it right, that commitment that the state has exercised and shown.

What are some of the other complex questions surrounding oil and gas development that the state government has had to wrestle with?

Mr. CAUSER. Well, we have wrestled with a number of things, and as you rightfully pointed out, we didn't want the taxpayers to pay for the inspections or the state regulators, so we assess a fee on permits so that we use those fees to pay for the regulators. Unfortunately, with the downturn, there is limited activity in Pennsylvania, and not one regulator has been laid off. So we have an abundance of regulators with our state agency.

And there have been some challenges in dealing with regulations. As I stated before, we have a state agency that has tried to push some regulations that go too far in regulating the industry, and we have had to push back against that because we need reasonable and responsible regulations. But it seems when the environmental groups get involved and start pushing, some of them actually go so far as to want to regulate the industry out of business. And we need to be mindful of that and make sure that we have reasonable, responsible regulations that are not punishing the industry.

Mr. THOMPSON. Okay. Once again, thank you to all of the members of the panel and, Mr. Chairman, thanks for hosting this hearing.

The CHAIRMAN. Did the gentleman, Tim, do you have a question?

Mr. WALZ. No.

The CHAIRMAN. Mr. Ashford, did you come up with anything?

Mr. ASHFORD. Just briefly.

The CHAIRMAN. All right. You are recognized for 5 minutes.

Mr. ASHFORD. Thank you. And I don't really have any other questions. This is very helpful. I know in Nebraska, we are very reliant upon the diverse energy sources that we have, natural gas, and coal, and other related products. It is critical, we are an ag state, obviously, and it is critical.

In Nebraska, in our legislature before I came here, we spent a year or so working on the TransCanada Pipeline issue. And I felt that we balanced the interests of the environment and ag and energy quite successfully in agreeing to move the pipeline off the Ogallala Aquifer, which is the largest underground water source in the country and one of the largest sources in the world globally, to protect the environment, at the same time to make sure that we had a steady flow of energy not only to our state, but throughout the country.

And we are also a public power state. We are the only state, kind of a remnant of Senator George Norris who was a U.S. Senator here and a Member of Congress and the father of the unicameral legislature which we are so proud of in Nebraska. And at that time, we, in the 1930s, we developed a public, as did many states, basically, public power across our state and it remains so today. So we do have public participation through our public power, Omaha Public Power, and Nebraska Public Power, and other agencies across the state.

So I don't have a question. Your comments, though, are right on, and over-regulation to the point where we can't produce sufficient energy to meet the needs of agriculture, especially with the downturn in prices, I am convinced that those prices are not going to remain where they are now, certainly, for corn and soybeans. And as those prices come back, we need to be ready to go and have the energy available to us at a reasonable cost and price.

So, Mr. Chairman, I appreciate you giving me the opportunity to comment. I don't have any questions. Thank you and I yield back.

The CHAIRMAN. The gentleman yields back.

Ms. Sims, could you walk us through the mechanics of the difference between drilling rigs and pulling units and how the well servicing business works? And talk to us a little about the supply chain that throws off jobs, not your company necessarily, but creates jobs around the work that you do. Just give us a primer on what Buster's Well Service does.

Ms. SIMS. Yes, sir. Drilling rigs, of course, are multi-manned. They work in different tiers or different tours, 24 hours a day. Well servicing, we run sunup to sundown, daylight hours only. It is a four-man crew. You have the operator on the rig floor. You have two floor hands and a derrickhand, again, for pulling the pipe out of the hole, moving the pipe out of the way, putting other instruments down the hole, such as fishing tools to catch either broken pipe or separated pipe. You are putting your wireline or logging tools down a hole.

Drilling, again, starts from the top and works down. There are more dangers in drilling than in well servicing due to the unknown of what they are drilling into or the actual unseen. Well servicing

itself, again, we are for the maintenance of the well from the time that it is drilled, cased, and started producing until it is plugged.

The CHAIRMAN. When you go out to pull a well, you are not the only contractor or subcontractor on the well. Can you talk about some of the other businesses that show up to help with that?

Ms. SIMS. That is correct. Yes, sir.

The CHAIRMAN. These are all small businesses?

Ms. SIMS. There will be also small businesses, trucking companies. You have your water haulers that will be removing and hauling wastewater off from the well. You have your crude haulers. You have your well logging companies that will be logging down the hole, wireline tubing testers. They run instruments down the hole to check tubing for leaks, anything else like that.

The CHAIRMAN. Generally, these are entry-level kind of businesses that you can start these businesses with relatively small capital investments and they are, for the most part, small businesses?

Ms. SIMS. That is correct, yes, sir.

The CHAIRMAN. Just off the top of your head, somebody told us that the drilling rig counts dropped to about 120 rigs recently. About how many jobs, direct jobs for a drilling rig? You said four for yours, but you have also the other jobs associated with pulling—

Ms. SIMS. Correct.

The CHAIRMAN. But on a drilling rig, any idea what the jobs are per rig?

Ms. SIMS. Drilling rigs also run a four-man crew, of course, 24 hours a day so you have four shifts on that. You also have your production foreman out on location. I would state that at any time during a 12 hour tour on a rig, on a drilling rig, you are going to have probably 20 to 30 people out there.

The CHAIRMAN. All right. I grew up in Odessa, Texas, with the roughnecks, and those kind of things. There are some things that used to be done in the oil business using tank bottoms to put on caliche roads to hold down the dirt that is clearly against the law today. Can you talk to us about the changes that the industry has made, from an environmental standpoint, that you watched your dad do and you do that are different today where we have actually improved how the business goes about trying to protect the environment? Any examples like that?

Ms. SIMS. Yes, sir. Just as you discussed, waste oil used to be utilized for your dirt caliche roads to keep the dust down. That has not been done or utilized in years. We have our disposal wells that the BS&W goes down *versus* just on the road.

The CHAIRMAN. Saltwater.

Ms. SIMS. Sir?

The CHAIRMAN. You used an acronym.

Ms. SIMS. An acronym.

The CHAIRMAN. Saltwater.

Ms. SIMS. Saltwater, yes, sir.

The CHAIRMAN. Right.

Ms. SIMS. Yes, the terminology is a bit discolored. The environmental, we have now nets over open tanks for your birds, for your aviaries. The flaring issues, we don't flare as much. There are con-

trols on that. Just safety, overall, on a rig. OSHA has come in and we work closely with OSHA as far as fall situations, the safety on the rigs, making sure that the men are not hurt, things like that.

The CHAIRMAN. Okay. Well, thank you. I appreciate that. As I said, I roughnecked. I lasted a week on a pulling unit.

Ms. SIMS. Yes.

The CHAIRMAN. Way too nasty, way too hard. So I went to roughnecking instead, which is a separate deal.

Ms. SIMS. The drilling side.

The CHAIRMAN. I want to thank our witnesses for being here today. Clearly, the impact on rural America is meaningful and in a positive way. We are probably a generation away now from the impact that J.R. Ewing, *et al.*, had on most folks' understanding of the oil business. Most all of the actual work, service company work is done from rural bases, rural communities. I would argue that Odessa, Texas, is a relatively rural part of the world as well. The production owners, the royalty owners live all over the United States. Many of them probably have never even seen a rig, but the checks show up on a monthly basis, which is meaningful.

Chairman Causer, I appreciate your comments about the regulatory schemes and that we do have to have regulations. There is not a regulatory-free environment anywhere, nor should there be, but they ought to make sense. And the closer they are to the well-head where those regulations are being created, in my view, they stand a much better chance at being able to tailor it to the circumstances for that state; for Pennsylvania, as an example.

I trust you to do that a whole lot better than I would, the folks hear in D.C., and I trust our friends in Austin, Texas, to do a better job of regulating and doing the right things. Clean air, clean water, all those kinds of things are done. But the overall benefits to rural America are clear. And I didn't hear any negative comments from the witnesses or from any of the questioners relative to—oh, we had another Member show up.

I am sorry, I didn't see you come in. I recognize you for 5 minutes.

Mrs. KIRKPATRICK. Thank you. I just have a couple of questions, if the Chairman doesn't mind.

The CHAIRMAN. Sure. Absolutely. You are recognized for 5 minutes.

Mrs. KIRKPATRICK. I represent a very large rural district in Arizona, vast portions of which still don't have electricity or running water. And so my question is, we talked a lot about the lease payments for oil and how that helps the farmers. But do you have any information about other energy sources, like wind or solar, or new transmission lines and how that affects our farmers? Any data on other sources?

Ms. SIMS. I personally wouldn't know.

Mrs. KIRKPATRICK. Okay. Well, I think that is a focus that we could redirect that would be beneficial to some of the rural areas, especially in the West where transmission lines are old. The grid is not very solid and can't take on new energy sources like wind or solar. So it is a big problem for us in rural Arizona.

My other question is, besides royalty payments and additional tax revenue, talk to me about other benefits drilling brings to the

farm community and other ways that industry engages at the community level.

Ms. ROOT. Well, I would say that we are benefiting from the royalties, but that is farmers with the resource under their property. But the decrease in the cost of natural gas which farmers use to power, to heat their homes and to dry grain and then the decrease in the overall fuel costs, that is huge for farmers. When we talk about anti-fossil fuel people, I don't know how the farm exists without fossil fuel, and that is important to everyone. So there are lots of benefits.

Within the communities, oil and gas companies have done a lot. We talk about the impact fee that they have paid, and that is contributed to our fire departments and other services. But those companies also donate directly to those things. I always tell the fire department, they are worried about asking for more money, I say, "If there is any place that an oil and gas company would like to contribute, it is making sure that our fire departments are up to date." And they are all small, volunteer fire departments, just like one of the Representatives here mentioned. So there are lots of other benefits to the community as well other than just the people receiving royalties.

Mrs. KIRKPATRICK. Are you at all familiar with the rural electric co-ops?

Ms. ROOT. We receive our electric from a rural electric co-op. Yes.

Mrs. KIRKPATRICK. That is right. And do you see any threats to that segment of the energy production?

Ms. ROOT. Well, I don't. And I don't know about those exact inner workings, but when you talked about areas of Arizona that don't have some services, they are developing these gas-generated power plants that Representative Causer mentioned, that is bringing our utilities down to a more local level. I see our grid becoming maybe something that is more secure where we are producing the gas and producing the electricity within local areas. And maybe what might be important to some of those areas like Arizona that are under-served is getting those commodities to those areas so that they can participate, and maybe natural gas pipe to those areas is the answer.

Mrs. KIRKPATRICK. I have four coal-fired plants in my district. And we have converted a couple of plants in Arizona to natural gas. Do you have any thoughts about incentives that we can introduce—anybody on the panel can address this—to speed up the conversion of those coal fire plants to natural gas?

Mr. CAUSER. In many ways, I think one of the biggest things that we can do is not stand in the way. Many companies are not telling me that we need an incentive for this or for that. We just need, whether it is a state or the Federal Government, not to stand in the way. And we, through regulations, we see government entities standing in the way. I think many, many things can be accomplished without incentives, but just standing out of the way and letting the private industry move forward with providing benefits to rural PA or rural America.

Mrs. KIRKPATRICK. Thank you. My time is running out. I appreciate your perspective and will give that some thought. So thank you very much.

Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. The gentlelady yields back.

Ms. Lujan Grisham, for 5 minutes.

Ms. LUJAN GRISHAM. Thank you, Mr. Chairman. Agriculture and the oil and gas sector are really important industries, certainly, in my state as well as for most of the Members on this Committee. And they both make substantial contributions. And in fact, ag and food processing industries contribute \$10.6 billion to our economy. That is roughly 12 percent of our GDP. And the oil and gas industry do about \$11.3 billion, so that is about 14 percent of our GDP. So I understand the aspect here that we want to make sure that these are coordinated, productive, partnering industries to the highest degree possible, given that they neighbor up, if you will, in most of the rural and frontier aspects of the country, and including in New Mexico.

You probably also are aware, the panel, and I know the Committee is, that in my state we are experiencing, like much of the Southwest, one of the worst droughts. We are part of a 100 year drought, and besides the fact that we are always on fire starting now through the fall, it is a significant factor for both these industries.

Do you have any thoughts or suggestions, given water scarcity issues in general, about ways in which both ag and oil and gas can be innovative in addressing the lack of water resources and not to put themselves in a position where they are actually competing for that same resource? I would be very interested in anyone on the panel's thoughts about that.

Ms. SIMS. I would like to address that. Pardon me. I know in our area, the Permian Basin area, there are new innovative companies that are coming in and reclaiming used well water, or used drilling water, drilling fluid. So they are cleaning that up and utilizing it for both potable water and nonpotable water to replenish water that is used. So there are lots of innovations and lots of new—

Ms. LUJAN GRISHAM. They are not, apparently, cost effective, so says the industry to me. Do you see advances or areas that Congress could be looking to, much like my colleague talked about, in investment strategies and incentive strategies?

Ms. SIMS. Right.

Ms. LUJAN GRISHAM. What do you think would make this now cost effective, because it is stagnant, pardon the pun for stagnant water, it is not moving in the ways that it could. And I agree that there is lots of interest in reclamation, but it doesn't appear to be cost effective today.

Ms. SIMS. Again, I want to reference Mr. Causer: Stay out of the way. Let the private industry and private-sector do what they know to do. Seems like all businesses are somewhat expensive to run in the beginning as technology comes to it, and they can work to get the cost down given that regulations are fewer and fewer between, is my opinion.

Ms. LUJAN GRISHAM. Okay. Anybody else?

Mr. CAUSER. I have to say that I haven't given that much thought in that we have abundant water resources in Pennsylvania.

Ms. LUJAN GRISHAM. We will take them.

Mr. CAUSER. We would certainly like to send you some if we had that means to do so. So I would have to give that some thought in how we could work to help you. But I appreciate the question and would certainly give that some thought.

Ms. LUJAN GRISHAM. It is an area in my state that irrespective of, and I don't disagree, that we all ought to be, and in ag as well, thinking about ways to be more effective with our water resources, to have a reuse aspect that is meaningful for both industries. But when you start from a place that is really significantly poor, even with government out of the way, those competitive aspects don't lend themselves to the kind of leveraging and partnering that is beneficial. And this is not an area where any state, particularly mine, ought to choose.

These are both important industries to the economic benefit of citizens in New Mexico, but I can see that left alone, it could take too long to create an environment where competing for water resources means choosing. And in this environment, I would say that ag would be the likely loser in this event, and it would be not only a disaster economically for the state, but it would be a cultural investment disaster for the state as well.

Ms. ROOT. We are seeing significant water reuse in our area where almost all the flowback is reused in other wells. So I have seen them develop this. They started out hauling it all off, but necessity has made them develop technology to be able to do that.

Ms. LUJAN GRISHAM. My time has expired, Mr. Chairman. Thank you for the dialogue. I appreciate your perspectives.

The CHAIRMAN. The gentlelady yields back.

Again, I want to thank our witnesses for being with us today and participating in this dialogue. I won't repeat all of the other things that I said earlier. But I do appreciate each of you coming and sharing your perspective with us, because the overall impact that oil and gas has on rural economies has been made evident this morning by your testimony, and we really appreciate that.

Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material or supplemental responses from the witnesses to any questions posed by a Member. If there is something additionally that you would like to put into the record as you think about your answers earlier today, if you think there is something else that you wish you would have said that you think would be helpful to the Committee as we work through these processes, we would welcome having that submitted as well within 10 days. With that, the Committee on Agriculture is adjourned.

[Whereupon, at 11:26 a.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUPPLEMENTARY MATERIAL SUBMITTED BY NATIONAL ASSOCIATION OF ROYALTY OWNERS ON BEHALF OF JACQUELINE "JACKIE" ROOT, PRESIDENT, NATIONAL ASSOCIATION OF ROYALTY OWNERS—PENNSYLVANIA CHAPTER

Insert

Mr. PETERSON. I understand that. If you could go look into those numbers and tell me, generally, where those 47,600 mineral rights are held. They are probably not in North Dakota. They are probably in the gas area, in Illinois, Iowa.

Ms. ROOT. We could get you some more information for that.

Mr. PETERSON. Yes. I would just be curious, because it doesn't seem to—

Ms. ROOT. And mineral owners own anything from a half an acre to thousands of acres.

Mr. PETERSON. No, I get that. But, still, it just seems curious.

Ms. ROOT. Okay. We will provide more information.

April 19, 2016

Hon. COLLIN C. PETERSON,
Ranking Minority Member,
House Committee on Agriculture,
Washington, D.C.

Dear Congressman Peterson:

During the hearing on April 13, 2016 on "Energy and the rural economy: the impacts of oil and gas production." You ask me for additional information on the National Association of Royalty Owners (NARO) estimate of 47,600 royalty owners living in the State of Minnesota.

As stated in our testimony, there are an estimated 8.5–12 million royalty owners in the U.S. This is an estimate as no one knows for sure what the total might be. We also stated in our testimony, that using the 8.5 million estimate and the number of NARO members in each state we can make a projection/estimate of how many royalty owners live in each state. So the 47,600 estimated number of royalty owners for Minnesota is based not on how many Minnesotans may own property in North Dakota but rather the number of Minnesotans who own producing oil and gas mineral interests in Texas, Oklahoma, Kansas, New Mexico, Pennsylvania, Ohio, California, North Dakota, *etc.*

We also stated in our testimony that the only state where we have been able to check our estimate is Texas where we estimated 2.9 million royalty owners. According to Black Bart Data LLC in Austin, TX, who has available a database of every Texas royalty owner, there are about four million Texas royalty owners with an estimated 25% overlap or double count of some companies and individuals. So utilizing the Black Bart data we see four million less 25% is right at the NARO estimate of 2.9 million for Texas.

We hope this helps clear up your question. Let us know if we may be of further assistance.

Sincerely,



JERRY R. SIMMONS,
Executive Director,
National Association of Royalty Owners—On behalf of Jackie Root.